

## APPENDIX J.

### Information from Local Agency Disparity Studies

The BBC study team identified four disparity studies completed by local governments in Georgia after January 1, 2009:

- City of Atlanta study (only the Executive Summary has been made public);
- Clayton County study;
- Augusta-Richmond County (ARC) study; and
- City of Savannah study (along with the County and School District).

At the time of this final report, the City of Savannah had not released its disparity study report.

#### **Analysis of the Atlanta Metropolitan Area Marketplace for the City of Atlanta**

Dr. Ian Ayres directed the disparity study for the City of Atlanta.<sup>1</sup> The study was completed in October 2009. The Atlanta disparity study examined construction, professional services and a wide range of other goods and services procurements made by the City from 2005 through 2008.

**Analyses of the Atlanta metropolitan area marketplace.** The report included a number of analyses concerning conditions within the Atlanta metropolitan area marketplace.

**Quantitative analyses using secondary data.** Dr. Ayres used many of the same sources of secondary data to examine firm ownership rates and owners' earnings that BBC utilized in the GDOT Disparity Study (e.g., Current Population Survey, decennial Census of Population). He reports for the Atlanta metropolitan area in 2000 that:

- Business ownership rates for African Americans, Hispanic Americans and women were lower than non-minorities and men, after controlling for neutral factors; and
- Business owner earnings for African Americans, Asian Americans, Hispanic Americans and women were lower than non-minorities and men, after controlling for neutral factors.

Dr. Ayres considered all industries as a whole in the above results.

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<sup>1</sup> Dr. Ian Ayres. 2009. *City of Atlanta Disparity Study, Executive Summary*. Prepared for the City of Atlanta, Georgia.

Dr. Ayres examined access to financial capital using data from the 1998 and 2003 Surveys of Small Business Finances (SBBF). From his analyses for the South Atlantic region, he reported the following statistically significant disparities after controlling for neutral factors:

- Higher rates of “non-application for fear of loan denial” for African Americans and women;
- Higher rates of loan denial for African Americans; and
- Higher interest rates for those obtaining loans for African Americans and Hispanic Americans.

**Analysis of total revenue of minority- and women-owned firms in the Atlanta area using Dun & Bradstreet data.** For nine industries in the Atlanta metropolitan area, Dr. Ayres compared annual revenue of African American-, Asian-Pacific American-, Hispanic American- and women-owned firms to revenue of other firms. He compiled revenue information from Dun & Bradstreet. Focusing on results for construction and professional services, there were statistically significant disparities, after controlling for neutral factors, for:

- African American-, Hispanic American- and women-owned firms in the construction industry; and
- African American, Asian-Pacific American-, Hispanic American and women-owned firms in the professional, scientific and technical services industry (which includes engineering).

The analysis performed for the Atlanta report provides information on the utilization of firms in a race- and gender-neutral market.

**Interviews with minority- and women-owned firms.** The disparity study team led by Dr. Ayres conducted interviews with minority- and women-owned businesses that had worked as subcontractors on City projects. Many of the minority- and women-owned firms indicated that prime contractors using them on City contractors did not contact them for work on private sector projects or those public projects not requiring efforts to obtain minority or female firm participation.

**Disparity analysis for City of Atlanta contracts.** Dr. Ayres compared the City of Atlanta’s utilization of minority- and women-owned firms as prime contractors and vendors (by racial/ethnic/gender group) with what might be expected from his availability analysis for City prime contracts. He examined City contracts from 2005 to 2008. With a few exceptions, Dr. Ayres did not identify substantial disparities between the utilization and availability of minority- and women-owned firms in City prime contracts.

Performing the disparity analysis for only small businesses (as defined by the U.S. Small Business Administration), Dr. Ayres identified substantial disparities in the utilization of Asian-Pacific American-owned firms and women-owned firms for City construction and professional services contracts (excluding joint-venture contracts), among other industries.

## **Analysis of the Atlanta Metropolitan Area Marketplace for Clayton County**

Mason Tillman Associates, Ltd. conducted a disparity study for Clayton County.<sup>2</sup> The study compared the utilization and availability of minority- and women-owned firms in County contracting and collected anecdotal information about the local marketplace. Mason Tillman Associates completed the study in 2011.

**Interviews with business owners.** As part of the disparity study, Mason Tillman Associates held a business community meeting and conducted 40 one-on-one interviews with business owners within the study area (Clayton, Cobb, DeKalb, Fayette, Fulton, Gwinnett and Henry counties). Interviews included businesses owned by African Americans, Asian Americans, women and white men.

The interviews identified qualitative evidence of:

- Discrimination by prime contractors against subcontractors on the basis of race;
- Unequal pay for contractors' work based on the race and gender of the business owner;
- Unequal access to public sector professional services contracts for minority-owned firms;
- Negative stereotypes and stigmas associated with minority ownership of a professional services firm;
- Double-standards for work performed by minority- and women-owned construction and professional services firms compared with majority-owned firms;
- Racist and sexist comments made to minority and female business owners or representatives by non-minorities and men;
- Existence of a "good old boys' system" in Clayton County and across Georgia that negatively affects opportunities for firms outside that network; and
- Fraudulent use of MBE/WBE certification status by prime contractors and existence of MBE/WBE front companies.

Other insights from interviewees included:

- Preference of prime contractors to self-perform rather than subcontract work;
- Inability to break into Clayton County work for firms that had not received work in the past;
- Difficulty meeting County bidding requirements, including inability to secure bonding; and
- Difficulty obtaining financing.

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<sup>2</sup> Mason Tillman Associates, Ltd. 2011. *Clayton County Disparity Study*. Prepared for Clayton County, Georgia

One minority-owned professional services firm specifically discussed perceived lack of opportunities on GDOT consultant contracts. He reported that his firm has not had opportunities as a subconsultant on GDOT consultant contracts because prime consultants prefer to use white women-owned subconsultants to meet DBE program requirements.

**Disparity analysis for Clayton County contracts.** Mason Tillman Associates compared utilization of minority- and women-owned firms on Clayton County contracts with what might be expected from their availability analysis for those contracts. They examined County contracts for FY 2004–FY2009.

Mason Tillman Associates identified disparities for African American, Hispanic American, Native American- and women-owned firms for County construction prime contracts less than \$500,000. In addition to the above groups, the disparity study identified disparities in the utilization of Asian American-owned firms as subcontractors on County construction contracts.

For County professional services prime contracts less than \$500,000, Mason Tillman Associates reported disparities in the utilization of African American-, Asian American-, Hispanic American-, Native American- and women-owned firms. The disparity study identified disparities for each of the above groups except for women-owned firms when examining professional services subcontracts.

### **Analysis of the Augusta Metropolitan Area Marketplace**

NERA Economic Consulting completed a disparity study in 2009 for Augusta-Richmond County (ARC).<sup>3</sup> The Augusta disparity study examined construction, construction-related professional services, other services and commodities.

The Augusta disparity study includes many of the same quantitative analyses of the local marketplace, using the many of the same data sources, as BBC's disparity study for GDOT. NERA also performed a survey of business establishments in the Augusta metropolitan area and six group interviews of local businesses.

**Survey of business establishments.** In the NERA business survey, more than 40 percent of minority- and women-owned firms reported that they had experienced at least one instance of disparate treatment in one or more areas of business dealings listed in the survey. For example, 47 percent of African American-owned firms indicated that they had been treated less favorably due to their race when applying for commercial loans. Further NERA analyses indicated that size, qualifications and experience of firms could not explain the differences in survey responses for minorities and women compared with majority-owned companies.

The NERA survey also asked firms, "How often do prime contractors who use your firm as a subcontractor on public-sector projects with requirements for minority, women and/or disadvantaged businesses also hire your firm on projects (public or private) *without* such goals or requirements?" Most minority- and women-owned firms responded that this seldom or never occurs. A similar question asked whether firms were even solicited for bids on non-goals projects. Again, most minority- and women-owned firms responded that this seldom or never occurs.

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<sup>3</sup> NERA Economic Consulting. 2009. *Race, Sex, and Business Enterprise: Evidence from Augusta, Georgia*. Prepared for Augusta-Richmond County, Georgia.

**Group interviews of businesses.** The group interviews conducted by the NERA study team included 114 business owners in the Augusta area. The interviews identified qualitative evidence of:

- Stereotypical attitudes and double standards for performance which negatively affect minorities and women in business.
- Exclusion of minorities and women from industry networks (sometimes referred to as the “good ol’ boy network”).
- The possibility that suppliers quote MBE/WBEs higher prices than other firms.
- Discrimination against minorities and women when applying for commercial loans.
- Difficulties obtaining surety bonds, which were reported to have a negative effect on prime contract and subcontract opportunities in the construction industry.
- Barriers for small businesses in obtaining public sector prime contracts as well as difficulties obtaining subcontracts, experiencing fair treatment and receiving timely payment. Some firms reported that they had been listed as subcontractors on contracts but then were not utilized on those contracts.
- Difficulty obtaining work on private sector and non-goals projects.

**Utilization, availability and disparity analyses for Augusta-Richmond County**

**contracts.** NERA examined utilization of minority- and women-owned firms on ARC construction contracts during the 2003 through 2007 study period:

- About 3 percent of contract dollars went to African American-owned firms;
- Other minority-owned firms received about 1 percent of contract dollars; and
- White women-owned firms received about 2 percent of construction contract dollars.

These levels of utilization were substantially below what might be expected from NERA’s availability analysis for construction contracts: 15 percent availability for African American-owned firms, 4 percent availability for other minority-owned firms, and 13 percent availability for white women-owned firms. NERA identified substantial disparities for each minority group and for white women when examining ARC construction contracts, even with ARC efforts in place to encourage utilization of minority- and women-owned firms.

It is instructive that disparities in the utilization of minority- and women-owned construction firms occurred even with ARC’s operation of a DBE program. ARC discontinued that program after a 2007 federal district court ruling<sup>4</sup> (before completing the 2009 disparity study).

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<sup>4</sup> *Thompson Building Wrecking Co., Inc. v. City of Augusta, Georgia*, No. 1:07 CV019, 2007 WL 926153 (S.D. Ga. Mar. 14, 2007).

NERA performed a similar analysis for ARC construction-related professional services contracts. Utilization of minority-owned firms was much higher for these contracts (28% of contract dollars) and, except for Asian American-owned businesses, there were no disparities for minority-owned firms on these contracts. There were substantial disparities for white women-owned firms, however.

### **Summary**

The quantitative and qualitative information from local government disparity studies provides further insights into marketplace conditions for minority- and women-owned firms in Georgia. Results of the local government studies are consistent with much of the information from BBC's analysis of the Georgia construction and engineering industries.